

July 31, 2007

FROM: KENNETH A. NERLAND, Director
General Services Department

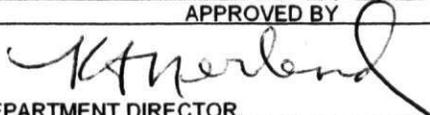
BY: JANET SMITH, Manager
Purchasing Division

SUBJECT: AUTHORIZE THE GENERAL SERVICES DEPARTMENT, PURCHASING DIVISION, TO PARTICIPATE IN THE CALIFORNIA STATE CAL CARD PROGRAM FOR CITY DIVISIONS TO MAKE SMALL DOLLAR PURCHASES FOR MATERIALS, PARTS, AND SUPPLIES, AND EXECUTION OF PROGRAM DOCUMENTS

AGENDA ITEM NO.

COUNCIL MEETING July 31, 2007

APPROVED BY


DEPARTMENT DIRECTOR

CITY MANAGER

KEY RESULT AREA

Customer Satisfaction

RECOMMENDATION

Staff recommends the City Council authorize General Services Department, Purchasing Division, to participate in the State of California Cal Card Program by approving the State of California Purchase Card Program Master Services Agreement Addendum, approved as to form by City Attorney's office, which will allow City Departments to make small dollar purchases for materials, parts, and supplies.

EXECUTIVE SUMMARY

The Purchasing Division of the General Services Department is seeking Council approval authorizing the General Services Director, through the Purchasing Manager, to participate in the State of California Cal Card Program for City Departments to acquire materials, supplies, equipment not to exceed \$2,500 per transaction by use of a Visa card.

KEY OBJECTIVE BALANCE

Allowing City Departments to participate in the Cal Card Program will balance all three Key Objectives. Customer Satisfaction will be realized as Divisions achieve cost and time savings by requesting fewer Emergency Purchase Orders (EP's) through Purchasing as well as processing fewer payments to Finance. Employee Satisfaction will be achieved through Divisions obtaining goods when they are needed. Financial Management will be enhanced by the savings realized in processing fewer purchase orders and fewer invoice payments through Finance.

BACKGROUND

The Purchasing Division researched various purchase card programs and determined the California State Cal Card (Visa) Program was the most efficient and cost effective. This program was patterned after the successful International Merchant Purchase Authorization Card (I.M.P.A.C.) used by the

federal government. The State has extended the availability of this program to other local governmental agencies including counties, cities, towns, universities, school districts, fire districts, and other special districts. There are approximately 1051 California agencies, which includes 181 cities, presently participating in the Cal Card program.

The Cal Card is basically a payment mechanism by use of a Visa card that allows Division employees to make small dollar purchases for what they need and when they need it. The Visa card can be used for walk-in purchases, telephone orders, fax and e-procurement orders of up to \$2,500 per transaction (current transaction amount has been determined by the Purchasing Manager.)

The purpose of establishing the CAL-Card Purchasing Card Program is to:

- Improve the satisfaction of Purchasing Customers by transferring more control of their small dollar purchases directly to them.
- Reduce the time needed to execute small dollar purchases—put the item in the hands of the user sooner.
- Reduce the administrative costs, including staff time, paper, and postage, associated with low dollar purchases.
- Improve vendor relations by eliminating administrative costs for them, such as invoicing, and drastically reducing their payment wait time.
- Have only one official "Purchasing Card" for City users. No other credit cards will be authorized and no payments will be made on any other credit cards (stores cards) except as indicated in AO 1-9 *

*The Cal Card is a separate purchase card from the Credit Card issued and controlled by Finance under AO 1-9 Credit Card use Policy. These credit cards are issued to the Mayor, City Manager, Assistant City Manager, Department directors and all others approved by the Controller.

In September 2006 the Purchasing Division implemented a Pilot Cal Card program to determine if there were any concerns regarding unauthorized purchases or any lack of controls with the State program or even if Divisions would make use of the purchase card. Since inception eight Divisions have signed up for the Cal Card and 235 transactions have been processed for a total \$ 76,757.

An anticipated overall annual savings of \$40-\$45,000 in staff time should occur by eliminating the need for division staff to secure an EP from Purchasing, reduce buyer time spent on issuing EP's to divisions, as well as the divisions handling and the processing of each separate EP and Accounts Payable paying for each separate EP. Payment for the Cal Cards purchases is streamlined for Accounts Payable by only having to cut one monthly check.

Divisions currently using the Cal Card, under the pilot program, had positive comments such as - the Cal Card program is working just fine to works great. In the last ten months the only issues that have occurred were some employees misplacing their receipts.

The Purchasing Division has drafted Cal Card Program Policies and Procedures as well as an Administrative Order 3-9 for the Cal Card program. The policy covers issuance of the cards, types of

purchases that can be made using the card, who authorizes the card purchases, training for the use of the card and card controls.

City employees being issued a Visa card will receive approximately one hour of training on the use of the card as well as the review of the Cal Card Policy and Administrative Order. At the conclusion of the training each employee must declare they have read and understand the Cal Card Program requirements at which time they receive their Visa card.

Following are the permitted and prohibited purchases:

Permitted Purchases

- Miscellaneous items needed after normal office hours, or during an emergency
- Subscriptions, books, and publications
- Maintenance, repair, and operational type of equipment and supplies
- Items on existing open purchase orders, providing that, the vendor has agreed to accept the procurement card as a method of payment
- Office Depot orders

Prohibited Purchases

- Any item or service centrally managed by another City agency, such as:
 - Graphic Communications printing, copying, binding, and related capabilities
 - Information Technology Services managed automated equipment and software
 - Communications managed fax machines and telephone related equipment
- Firearms and ammunition
- Tobacco and alcohol products
- Cash advances
- Travel or travel related expenses
- Recurrent requirements (items that would qualify for Requirements Contracts)
- Fixed assets
- Personal services or other service agreements

Additional controls for prohibited purchases are also automatically coded into each card such as Wire Transfers, Money Orders, Timeshares, Betting, Casino Gaming Chips, etc. If an attempt is made to purchase one of these high-risk cash-related items, the transaction will automatically be declined. If the per transaction limit or the monthly transaction limit are exceeded the transaction will also be declined.

If any City employee improperly uses the card or makes inappropriate purchases immediate corrective action will be taken to prevent further occurrences. If violations continue their card may be canceled. Ultimately the user Department will be responsible for any unauthorized Cal Card purchases made by their employees.

At the close of the monthly billing cycle, the Cardholder receives a bank statement from US Bank (US Bank is the contractor who maintains all Cal Card accounts under the program) and reconciles their

purchases against the statement, their supervisor then verifies all transactions; a voucher is completed and sent to Purchasing. The Purchasing Manager, who is the Agency Program Coordinator, reviews all Cal Card purchases made for the month, and forwards all department vouchers to Accounts Payable who then cuts one check to US Bank.

The Finance Department, including Internal Audit staff, has reviewed and approved the Cal Card Program Policies and Procedures and supports the process being administered through the GSD/Purchasing Division Manager.

FISCAL IMPACT

Funds are allocated for Cal Card purchases in each Department

It is anticipated an overall annual savings of \$40-\$45,000 in staff time should occur by implementation of the Cal Card program.